

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 AGR-05 CIAE-00 COME-00 EB-07 INR-07

LAB-04 NSAE-00 SP-02 STR-01 TRSE-00 CIEP-01 FRB-03

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R 061041Z MAR 75

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC 4384

C O N F I D E N T I A L TAIPEI 1105

E.O. 11652: GDS

TAGS: ETRD, TW

SUBJECT: COTTON CONTRACT PROBLEM

STATE PASS HUME AGRICULTURE

REF: STATE 046927

1. IN MEETING WITH AGATT MARCH 5, Y.T. WANG (WANG I-TING) STATED THAT BOFT AND GROC FINANCIAL AUTHORITIES HAVE AGREED ON FINAL DETAILS GSM-4 CREDIT ALLOCATION AND PROCEDURES FOR IMPLEMENTATION. UNDER AGREED PLAN, BANK OF TAIWAN WILL FINANCE FIRST 40 CENTS PER POUND US COTTON CONTRACTED PRIOR AUGUST 1, 1974 AND GSM-4 CREDIT WILL BE USED TO FINANCE PORTION CONTRACT PRICE ABOVE 40 CENTS. WANG STATED THAT US\$ 25 MILLION GSM-4 MAY BE INADEQUATE, BUT FROM TONE HIS REMARKS BELIEVE GROC NOW READY ACCEPT THIS AMOUNT AS FINAL, THUS ELIMINATING THIS POINT FROM OUTSTANDING MATTERS TO BE NEGOTIATED IN PARA 3 REFTEL.

2. WITH REFERENCE TO ADDITIONAL ASSURANCE THAT MILLS WILL MEET THEIR CONTRACTUAL OBLIGATIONS AS OTHER MATTER TO BE NEGOTIATED IN PARA 3 REFTEL, EMBASSY QUESTIONS WHETHER GSM-4 CREDIT PROGRAM SHOULD BE DELAYED WHILE THIS POINT CLARIFIED BY EXCHANGES OF MESSAGES BETWEEN GROC, CONFIDENTIAL

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ROC WASHINGTON EMBASSY AND USG. WE BELIEVE ASSURANCE

THAT CREDIT WILL BE USED ONLY FOR CONTRACTS IN FORCE
PRIOR AUGUST 1, 1974 PROVIDES ADEQUATE SAFEGUARD THAT
CREDIT WILL BE USED ONLY FOR PURPOSES INTENDED. IF
MILLS FAIL TO OPEN L/C'S FOR THESE OLD CONTRACTS, CREDIT
WILL NOT BE USED. FURTHER, Y.T. WANG HAS STATED
ON SEVERAL OCCASIONS TO AGATT AND ECON COUNS THAT MILLS
WILL BE OFFERED CHOICE OPENING L/C'S OR DECLARING
BANKRUPTCY. IN ANY CASE, A SUBSTANTIAL PORTION OF
CONTRACTS IN QUESTION ARE WITH MILLS NOT YET IN OPERATION
AND WE SEE NO PROSPECT OF L/C'S BEING OPENED FOR THIS
COTTON REGARDLEEE OF THE STRENGTH OF ASSURANCES RECEIVED
FROM GROC.

3. WANG INDICATED THAT GROC PREPARED TO IMPLEMENT GSM-4
CREDIT IMMEDIATELY UPON RECEIPT NOTICE FROM USG THAT
CREDIT LINE APPROVED. WE HOPE THAT FYI REFERENCE
PARA 3 REFTEL TO PREPARATION BASIC USG POSITION FOR ALL
COTTON CONTRACT PROBLEM COUNTRIES WILL NOT DELAY
IMPLEMENTATION OF THE PROGRAM IN TAIWAN WHERE IT APPEARS THAT
AGREEMENT HAS BEEN REACHED ON ALL ESSENTIAL POINTS.
UNGER

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Margaret P. Grafeld
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